

TIP CREDIT UNDER THE HAWAII WAGE AND HOUR LAW

Under Section 387-2, Hawaii Revised Statutes (HRS), Wage and Hour Law, employers are required to pay employees not less than:

\$6.75 per hour beginning January 1, 2006; and
\$7.25 per hour beginning January 1, 2007.

Section 387-2, HRS, also provides that an employer may pay tipped employees twenty-five cents per hour less than the applicable minimum wage if the tipped employee:

- Regularly and customarily receives more than \$20 a month in tips; and
- The combined amount the employee receives from the employer and in tips is at least 50 cents more than the applicable minimum wage.

See the illustrations below of how tip credit is applied.

Situation #1:

- Applicable minimum wage is \$7.25 per hour
- Employee receives \$50 per month in tips
- Employee works 30 hours per week and receives \$25 in tips for the week
- Employer pays tipped employee \$7.00 per hour (\$7.25 minimum wage less \$.25 tip credit)

The combined amount the employee receives from the employer and in tips must be at least 50 cents more than the applicable minimum wage. Therefore, for an employer to take the maximum tip credit of 25 cents per hour, the employee must average at least 75 cents per hour in tips, calculated as follows:

Applicable minimum wage	\$7.25 per hour	Minimum wage + 50 cents	\$7.75 per hour
Plus 50 cents	.50 per hour	Hourly wage using tip credit	7.00 per hour
Total	<u>\$7.75 per hour</u>	Tips	<u>\$.75 per hour</u>

In Situation #1:

Employee's tips for the week	\$25.00
Divided by hours worked in the week	30
Average tips per hour	\$.83

Because the employee averages at least 75 cents per hour in tips and the combined amount of wages and tips is at least \$7.75 per hour, the employer may take the maximum tip credit of 25 cents per hour and pay the tipped employee \$7.00 per hour ($\$7.25 - .25 = \7.00)

Situation #2:

- Same as #1 except that employee receives \$20 in tips for the week.

Employee's tips for the week	\$20.00
Divided by hours worked in the week	30
Average tips per hour	\$.67

Because the employee does not receive a combined total of \$7.75 in wages and tips, the employer is required to pay \$7.08 per hour to make up the difference ($\$7.75 - .67$) and 17 cents per hour in tip credit would be allowed ($\$7.25 - 7.08$)

To view the law, [click here](#)

For administrative rules on tip credit, [click here](#)